

Message Text

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ACTION EA-13

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 8713

INFO AMEMBASSY TOKYO

AMCONSUL MEDAN

S E C R E T JAKARTA 10890

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: LNG: PERTAMINA/MOBIL DIFFICULTIES

REFS: A. JAKARTA 10889

B. TOKYO 11390

C. STATE 178518

D. JAKARTA 10298

SUMMARY. HANGING OVER THE SUCCESSFUL CONCLUSION OF THE PERTAMINA/
PACIFIC LIGHTING LNG CONTRACT (REFTEL A) IS UNPLEASANT PROSPECT
THAT PERTAMINA/MOBIL RELATIONSHIP IS BADLY STRAINED AND FACING
FURTHER STRESSES. RECENT CONVERSATIONS (REPORTED BELOW) INDICATE
MOBIL HAD ANTAGONIZED PARTIES TO LNG AGREEMENT PROMPTING
TODD (PACIFIC LIGHTING) TO OBSERVE THAT UNLESS PERTAMINA/MOBIL
RELATIONS COULD BE REPAIRED GENERAL IBNU MIGHT "WALK AWAY" FROM
ITS AGREEMENT WITH MOBIL OF MARCH 1973 ON LNG PRODUCTION, THEREBY
UNDERMINING PACIFIC CONTRACT. I BELIEVE SITUATION IS SERIOUS
ENOUGH THAT I PLAN TO RAISE SUBJECT IN GENERAL TERMS WITH
MR. WILLIAM TAVOULARES, PRESIDENT OF MOBIL, WHO IS TO VISIT
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JAKARTA ON OCTOBER 18. END SUMMARY

1. AT MY LUNCHEON FOR PACIFIC LIGHTING AND MOBIL LNG NEGOTIATORS
LAST FRIDAY, SEPT 7, RAY TODD, VICE PRESIDENT AND CHIEF NEGOTIATOR

FOR PACIFIC LIGHTING, RELATED TO ME SOME OF THE NUANCES OF THE JUST-COMPLETED NEGOTIATIONS. HE FELT THAT HE HAD, IN PERSUADING HIS COMPANY TO ADD TWO CENTS TO THE NEGOTIATED PRICE TO MEET THE PERTAMINA REQUEST OF 63 CENTS PER MILLION BTU, PLEASSED THE INDONESIANS AND CREATED AN ATMOSPHERE OF GOODWILL WHICH HE THOUGHT WAS WORTH ALL THE EXTRA MONEY INVOLVED. (FYI. TWO CENT INCREASE IN PRICE WILL AMOUNT TO OVER \$100 MILLION OVER 20-YEAR CONTRACT PERIOD. END FYI.) TODD FELT HE HAD ALSO ESTABLISHED PERSONAL RAPPORT WITH GENERAL IBNU SUTOWO (WHOSE REPUTATION AS A DIFFICULT MAN TO APPROACH IS JUSTIFIED) AND OTHERS ON IBNU'S STAFF.

2. TODD WAS FRANKLY CONCERNED ABOUT RELATIONS BETWEEN MOBIL AND PERTAMINA. HE SAID PERTAMINA HAD PROPOSED THAT MOBIL SHOULD ENDORSE THE CONTRACT. ALTHOUGH TODD SAID HE HAD BEEN ASKED THAT

THIS BE DONE, HE WAS NATURALLY AGREEABLE. THE LOCAL MOBIL NEGOTIATORS HAD RECOMMENDED THIS TO THEIR HEADQUARTERS BUT HAD BEEN TURNED DOWN. THIS HAD FURTHER ANGERED GENERAL IBNU WHO WAS ALREADY NURSING RESENTMENT OVER MOBIL'S ORIGINAL ANNOUNCEMENT OF PLANS TO DEVELOP THE GAS AND A SUBSEQUENT SNAFU IN WHICH MOBIL, HAVING BEEN ASKED TO ASSIST IN SOLICITING DESIGNS FOR THE LIQUEFACTION PLANT, HAD REQUESTED THAT PARTICIPATING COMPANIES SUBMIT PROPOSED DESIGNS TO MOBIL RATHER THAN PERTAMINA. (FYI. IN PREVIOUS CONVERSATION, TODD TOLD EMBOFF THAT HAROLD HUTTON WAS WITH IBNU WHEN IBNU WAS INFORMED BY TELEPHONE OF MOBIL'S ACTIONS. HUTTON TOLD TODD IBNU ALMOST WENT THROUGH CEILING, SAYING, "IF THAT IS THE WAY THEY WANT TO ACT, I WILL NATIONALIZE THEM." END FYI.) IT WAS CLEAR TO TODD THAT PERTAMINA HAD DECIDED THAT THEY, NOT MOBIL, SHOULD HAVE ULTIMATE RESPONSIBILITY FOR MARKETING GAS AND CONSTRUCTING LIQUEFACTION PLANT. IT APPEARED TO HIM THAT MOBIL HAD NOT QUITE UNDERSTOOD OR, ALTERNATIVELY, DID NOT ACCEPT THIS. TODD SAID HE DID NOT DISCOUNT THE POSSIBILITY THAT UNLESS PERTAMINA/MOBIL RELATIONS COULD BE REPAIRED, GENERAL IBNU WOULD WALK AWAY FROM HIS AGREEMENT WITH MOBIL AND THIS MIGHT UNDERMINE THE CONTRACTED SUPPLY OF GAS. (FYI: IN MARCH 1973, PRESS REPORTED PERTAMINA-MOBIL UNDERSTANDING RE PERTAMINA'S MARKETING AND CON-
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STRUCTION AUTHORITY. END FYI)

3. TODD WAS LESS THAN COMPLIMENTARY ABOUT MOBIL'S PERFORMANCE AT THE NEGOTIATIONS. HE SAID THEY HAD BEEN AN OBSTACLE TO THE NEGOTIATIONS THROUGHOUT AND THE THE CONTRACT COULD HAVE BEEN SIGNED A WEEK EARLIER HAD IT NOT BEEN FOR MOBIL'S MANY TRYING INTERVENTIONS.

4. TODD WAS ALSO NOT CONVINCED THAT MOBIL HAD WANTED THE GAS TO GO TO THE UNITED STATES. AT THE LUNCHEON MOBIL REPRESENTATIVES WENT OUT OF THEIR WAY TO EXPRESS THEIR PLEASURE THAT THE CONTRACT HAD BEEN SIGNED AND TRIED TO GIVE THE IMPRESSION THAT THEY HAD BEEN INTERESTED IN SEEING THAT THE GAS WENT TO THE UNITED STATES.

I CONFESS THAT I FELT THAT THEY SEEMED TO BE OVERDOING THIS, POSSIBLY COVERING UP EARLIER EXPRESSIONS TO THE CONTRARY. AT LEAST, IT WAS TODD'S IMPRESSION THAT THEY HAD BEEN CONCERNING THEIR EFFORTS IN JAPAN TO TRY TO SELL THE GAS THERE.

5. THERE HAVE ALSO BEEN OTHER INDICATIONS OF DIFFICULTIES BETWEEN PERTAMINA AND MOBIL. IN PREPARING THE GUEST LIST FOR MY LUNCHEON WITH IBNU SEPT 5 WE CONSIDERED INVITING KEY MOBIL AND PACIFIC LIGHTING REPRESENTATIVES. HOWEVER, WHEN WIJARSO AND TIRTO UTOMO, BOTH INTIMATELY INVOLVED IN THE NEGOTIATIONS, BECAME AWARE OF THE POSSIBILITY, BOTH COUNSELED STRONGLY AGAINST HAVING IBNU AND MOBIL REPS IN SAME ROOM. IN ANOTHER CONVERSATION, PURVIN AND GERTZ (DALLAS, TEXAS) CONSULANT WHO ASSISTED PERTAMINA IN LNG NEGOTIATIONS WITH THE JAPANESE, TOLD EMOFF THAT MOBIL HAD SUPPLIED POTENTIAL JAPANESE CUSTOMERS WITH PRIVILEGED INFORMATION. HE OBSERVED, "IT IS HARD TO TELL WHOSE TEAM MOBIL IS ON." (MEMCON BEING POUCHED.) IT MAY ALSO BE SIGNIFICANT THAT NOT ONCE DURING THESE LNG NEGOTIATIONS HAVE ANY MOBIL REPRESENTATIVES VOLUNTARILY DISCUSSED LNG PROJECT WITH EMBASSY OFFICIALS. WHEN THIS MENTIONED TO MOBIL'S CHIEF NEGOTIATOR (JENNINGS ALLEN) ABOUT TWO WEEKS AGO, HE SLOUGHED OFF SUGGESTION IT MIGHT BE USEFUL KEEP US INFORMED, IMPLYING CONTACT WITH EMBASSY UNNECESSARY AND/OR UNDESIRABLE. AT MY LUNCHEON MENTIONED ABOVE, PACIFIC LIGHTING REPRESENTATIVES WERE FULSOME IN PRAISE OF HELP WE HAD BEEN TO THEM; MOBIL REPRESENTATIVES SOMEWHAT WEAKLY ECHOED THIS PRAISE (COMMENT: WE ARE AT A LOSS TO KNOW WHY).

6. COMMENT: JUDGING EVIDENCE HERE, IT IS MY IMPRESSION THE
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RECENTLY SIGNED LNG CONTRACT REPRESENTS A GOOD BEGINNING TO A SATISFACTORY RELATIONSHIP BETWEEN PERTAMINA AND PACIFIC LIGHTING FOR THE SUPPLY OF 550 MILLION CUBIC FEET OF LNG PER YEAR. HANGING OVER THIS CONTRACT, HOWEVER, (BESIDES THE PROSPECT OF TOO LONG DELAY IN FPC APPROVAL DISCUSSED REFTEL A) IS THE UNPLEASANTNESS THAT HAS DEVELOPED BETWEEN MOBIL AND PERTAMINA BECAUSE OF THE WAY MOBIL HAS, PERHAPS UNDERSTANDABLY, ACTED AS IF IT, RATHER THAN PERTAMINA OWNS THE GAS. CLEARLY, HOWEVER, PERTAMINA IS CALLING THE SHOTS. I PLAN TO DISCUSS THE SUBJECT IN GENERAL TERMS WITH MOBIL'S PRESIDENT (TAVOULARES) DURING HIS VISIT HERE OCT 18-20.
GALBRAITH

SECRET

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